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Global IP Sound Reports Third Quarter 2005 Results
(reported in thousands of SEK; **unaudited**)

STOCKHOLM – October 20, 2005 - Global IP Sound AB, the leading provider of embedded voice processing technologies, today reported its financial results for the third quarter ending September 30, 2005.

Revenues for the third quarter of 2005 were SEK 16,227, a 112 percent increase from the third quarter of 2004, and a 29 percent increase over the prior quarter. Gross profit for the period was SEK 13,656 versus SEK 9,713 in the second quarter 2005. Operating expenses were SEK 9,428 for the quarter, which was an increase of 20 percent compared to the same quarter in the previous year and an 8 percent increase from the second quarter of 2005.

Net income for the third quarter of 2005 was SEK 4,686, a 714 percent increase from the second quarter of 2005. Cash and short-term investments at the end of the third quarter were SEK 85,535, as compared to the ending balance from June 30, 2005 of SEK 29,987. For the first nine months of 2005, the Company generated SEK 62,608 in cash flow of which SEK 50,654 was attributed to the financing activities and the remaining SEK 11,954 was attributed to cash generated through the operations. Unearned revenue of SEK 64,916 remained relatively unchanged from the second quarter of 2005.

"The Company continues to perform to its aggressive revenue goals with new license agreements and increased royalty deployments. This past quarter we signed 15 new license agreements with customers such as PCTEL, Geodesic, Telepo, and SmartTech. More importantly we signed three leading chip manufacturers, WavePlus, PMC Sierra and Marvell Semiconductor, which gives great validation to our hardware strategy and momentum in the market. As a result of these achievements we saw a significant increase in revenue and net income," said Edward Abbati, Chief Financial Officer of Global IP Sound.

"Q3 was a very good quarter for us. We were able to leverage our tremendous success in the application and ISP space into the rapidly growing VoIP hardware market and signed three leading semiconductor companies. Our office in Hong Kong is fully operational and already generating great excitement and interest from leading firms in the Asia Pacific region. We continue to expand our product and patent portfolio with innovative, industry-leading solutions. All the while we continued to show solid quarter-over-quarter growth," said Gary Hermansen, Chief Executive Officer of Global IP Sound.

Business highlights for the third quarter include:

- Increased revenue by 112 percent, to SEK 16,227, over same period last year
- Continued quarter-over-quarter sales growth of 29%
- Signed 15 new license agreements with major customers including WavePlus, PMC Sierra, Marvell, Geodesic, PCTEL, and Telepo.
- Fully operational office in Hong Kong to support Asia Pacific region
- Expanded product portfolio with VoiceEngine Mobile for Symbian and VoiceEngine Multimedia
- Expanded customer list to 85+ active accounts

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This release may be deemed to contain forward-looking statements, which are subject to the safe harbor provisions of the Private Litigation Reform Act of 1995. These forward-looking statements include, among other things, statements regarding future events and the future financial performance of Global IP Sound that involve risks and uncertainties. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results. Among the important factors or risks that could cause actual results or events to differ materially from those in the forward-looking statements in this release are: business and economic conditions and growth trends in the networking industry and in various geographic regions; global economic conditions and uncertainties in the geopolitical environment; overall information technology spending; the growth of the Internet and levels of capital spending on Internet-based systems; variations in customer demand for products and services, including sales to the service provider market; changes in customer order patterns or customer mix; increased price competition; increased competition in the VoIP industry; dependence on the introduction and market acceptance of new product offerings and standards; rapid technological and market change; litigation involving patents, intellectual property, stockholder and other matters; the ability to recruit and retain key personnel; financial risk management; currency fluctuations and other international factors; and potential volatility in operating results. Any projections in this release are based on limited information currently available to Global IP Sound, which is subject to change. Although any such projections and the factors influencing them will likely change, Global IP Sound will not necessarily update the information, since Global IP Sound will only provide guidance at certain points during the year. Such information speaks only as of the date of this release.

Consolidated income statement	3 Months Ended		9 Months Ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
License	12,541	6,068	32,351	12,812
Services	3,686	1,571	7,682	4,276
Revenue	16,227	7,639	40,033	17,088
Cost of goods				
Product	811	675	2,621	1,405
Services	1,760	-	5,087	-
Total Cost of goods	2,571	675	7,708	1,405
Gross Profit	13,656	6,964	32,325	15,683
Information about the business activities				
Selling expenses	4,580	2,767	12,448	6,113
Administrative expenses	2,909	2,582	8,264	7,456
Research and development expenses	1,939	2,539	5,453	7,762
Operating expenses	9,428	7,888	26,165	21,331
Earnings Before Interest, Tax, Depr & Amort	4,228	(924)	6,160	(5,648)
Depreciation & Amortization	273	338	806	1,040
Earnings Before Interest, Tax	3,955	(1,262)	5,354	(6,688)
Result from financial investments				
Other interest income and similar profit/loss items	(1,062)	(39)	(1,395)	(164)
Interest expenses and similar profit/loss items	6	188	95	251
Total result from financial investments	(1,056)	149	(1,300)	87
Result after financial items	5,011	(1,411)	6,654	(6,775)
Tax	325	-	985	18
Net profit (loss) for the period	4,686	(1,411)	5,669	(6,793)
Earnings Per Share (Basic)	0.09	(0.03)	0.11	(0.15)
Average Outstanding Shares	51,295,168	49,545,168	50,128,501	46,045,168

Consolidated balance sheet	September 30, 2005	September 30, 2004
Assets		
Fixed assets		
Intangible fixed assets		
Patents	1,618	43,274

Tangible fixed assets

Plant and machinery		
Equipment, tools, fixtures and fittings	254	584
Software	36	0
Purchased Technology	876	0
Costs of improvements to property	129	388
Vehicles	0	0
Total tangible fixed assets	1,295	972

Financial fixed assets

Deposits	1,049	1,033
Deferred tax	12,608	0
Other long-term receivables	395	366
Total financial fixed assets	14,052	1,399

Total fixed assets

16,965	45,645
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Current assets

Current receivables	17,916	9,901
Short-term investments	-	-
Other current investments	50,774	13,229
Other current receivables	362	633
Prepaid expenses and accrued income	777	739
Sub-total	69,829	24,502

Cash and Cash Equivalents

85,535	22,846
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Total current assets

155,364	47,348
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Total assets

172,329	92,993
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Equity and liabilities

September 30, 2005 September 30, 2004

Equity**Restricted equity**

Share capital	5,305	4,955
Restricted reserves	280,923	205,425
Total restricted equity	286,228	210,380

Non-restricted equity

Net loss previous year	-191,946	-131,821
Net loss of the year	5,669	-6,793
Total non-restricted equity	-186,277	-138,614

Total equity

99,951	71,766
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Long-term liabilities

Long-term note	321	111
Total long-term liabilities	321	111

Current liabilities

Accounts payable - trade	1,888	1,122
Other current liabilities	3,291	2,095
Unearned revenue	64,916	16,657
Accrued expenses and deferred income	1,962	1,242
Total current liabilities	72,057	21,116

Total equity and liabilities

172,329	92,993
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Consolidated cash flow statement**9 Months Ended**

September 30, 2005	September 30, 2004
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Operating activities

Result after financial items	6,654	-6,775
Adjustments for items not included in cash flow etc.	0	0
Depreciation and Amortization	1,313	1,084
Tax	-985	-18
Cash flow from operating activities before changes in working capital	6,982	-5,709

Changes in working capital

Increase in current assets	-41,108	-15,619
Increase in current liabilities	47,281	8,730
Cash flow from operating activities	6,173	-6,889

Investing activities

Acquisitions of intangible assets	-304	0
Acquisitions of machinery and equipment	-1,618	-133
Investment in financial assets	778	892
Loans provided	-57	1,134
Cash flow from investing activities	-1,201	1,893

Financing activities

Share premium upon issue of new shares ⁽¹⁾	50,654	23,172
Borrowings	0	0
Deferred compensation	0	0
Cash flow from financing activities	50,654	23,172

Cash flow for the year

Liquid funds at the beginning of the period	21,792	11,283
Exchange difference, liquid funds	1,135	-904
Liquid funds at the end of the period	85,535	22,846

Footnote:

(1) 2005 includes the Nortel warrant charge against Additional Paid-In-Capital